



FDI:-

- *It is an investment that a parent company makes in a foreign country.
- **Investment into the business of a country by a company in another country.
- *** Habitually the investment is into production by either buying a company in the target country or by mounting operations of an existing business in that country
- **** It's also move toward globalization of different sector and activity of country.

PROLOGUE OF FDI IN INDIA:-



- * Foreign direct investment plays very imperative role in the economic development of the country.
- **It helps in transferring of financial resources, technology and innovative, improved management techniques along with raising productivity
- * to attain a financial stability and economic growth with the help of investments in different sectors. (I made 2 separate lines)
- ***In Indian company may receive FDI under the two routes.
 - i. Automatic Route
Means without prior approval either of the Govt. or the Reserve Bank of India in all activities /sector .
 - ii. Government Route
Means under this route approval of the Govt. which are considered by the Foreign Investment Promotion Board (FIPB), Department of Economic Affairs, Ministry of Finance.

Why FDI? :-

1. Domestic capital is inadequate for purpose of economic growth;
2. Foreign capital is usually essential, at least as a temporary measure, during the period when the capital market is in the process of development;
3. Foreign capital usually brings it with other scarce productive factors like technical knowhow, business expertise and knowledge.

Foremost Benefits of FDI:-

1. Improves forex position of the country;
2. Employment generation and increase in production ;
3. Help in capital formation by bringing fresh capital;
4. Helps in transfer of new technologies, management skills, intellectual property
5. Increases competition within the local market and this brings higher efficiencies
6. Helps in increasing exports;
7. Increases tax revenues

Foremost Opposed by Local People or Disadvantages of FDI :-

1. Domestic companies fear that they may lose their ownership to overseas company
2. Small enterprises fear that they may not be able to compete with world class large companies and may ultimately be edged out of business;
3. Large giants of the world try to monopolies and take over the highly profitable sectors;
4. Such foreign companies invest more in machinery and intellectual property than in wages of the local people;
5. Government has less control over the functioning of such companies as they usually work as wholly owned subsidiary of an overseas company;

FDI in INDIA SECTOR WISE ADVANTAGE/ DISADVANTAGE (About foremost Sector):-

RETAILER:

Background – The fight between Govt. and Opposition started from proposing FDI Cap % increase from 49 to 51. Due to proposal the power of ownership goes in hands of Investor.



Advantage – Foreigners come with capital, technology and many resources

1. It will help the government to build new infrastructure and improve rural infrastructure.
2. Peasant will be able to improve their productivity and get high prices by selling their crops directly in the market to the large organized players (Investors).



3. This will provide lots of job opportunities to unemployed people in India.
4. Improve quality of product because increase in competition between Indian and Foreign Players. Escorts benefits dispense to the customer.

Disadvantage-

1. Small vendors will be removed from the market and it creates unemployment.



1. The market of our local shopkeepers will suffer.



2. Farmers will become poorer as these big companies will slowly turn into monopoly buyers ruling the rates.
3. Companies like Wall Mart, Tesco etc. will only engage well educated and smart workforce in small proportion. Thus it will not solve the problem of unemployment.

Telecommunication

Background – In this sector Vodafone enter in to the market when FDI Cap 74%. Now Cap 100%.



Advantage – As we see in country Vodafone is major player in telecommunication sector.

1. 2G → 3G → 4G



2. Modernization of Service.
3. Competition increase between Player escorts benefits dispense to the customer.

Disadvantage –

1. High competition between player's escorts the small player not survives in the market at their cost of service.
2. Foreign Company may play with Indian Security norm.

DEFENCE



Background- India permits 26% FDI in DEFENCE manufacturing (**My View:** Indian govt first think about our Security than Economy). Propose Cap 49%. FDI in Defence should be seriously considered as with many other sensitive sectors (Like: Space, Telco).

Advantage-

Increased foreign investment would result in rapid technological upgradation of the domestic Defence industrial base.

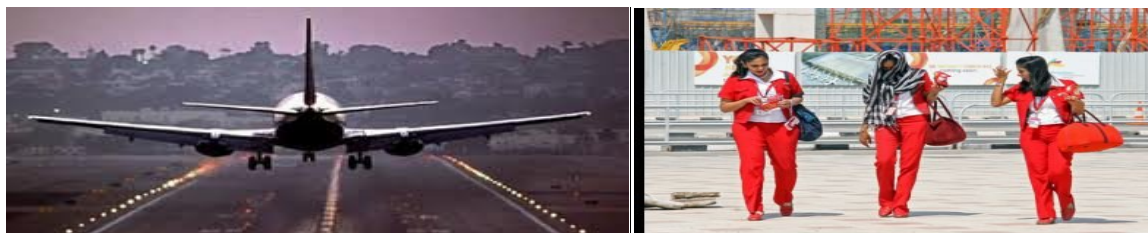
Disadvantage-

FDI from countries like China, Pakistan, Bangladesh, Saudi Arabia and Indonesia in defence may allow people from these countries to speak terms which could be contrary to India's interests.

In the long –term, we can't afford to be dependent on foreign cos.....therefore
FDI cap in the Defence manufacturing sector should remain at 26%

Mr. AK ANTONY, *Defence Minister , Government of India*

AVIATION



Background- Today allowing FDI cop 100% in Aviation Sector. It may benefit the cash- strapped Indian carries such as kingfisher that is struggling with mounting debts. Current Indian aviation industry is facing infrastructure shortage to handle the existing fleet of Indian carriers.

Advantage-

1. To Airline- Expected to much needed cash flow, Improvement in technology both in terms of ground handling and flight operation, bring best international practice.
2. To Passenger- Quality of service may go up due to competition, better international connectivity.

Disadvantage-

1. To Airline- Fears that this may lead to a takeover of Indian carriers,
2. To Passenger – International player may create monopoly in market leads fair price of ticket high.